Foreword

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This book is important in many respects. It is essential to look at the rise in inequalities during the crisis and how we should address this issue in the post-crisis period. This leads me to a series of questions. Where should we go after the crisis and what model should we pursue? The same model or a new one? Can we even think of returning to the same kind of regulation – in fact, the lack of regulation, especially of financial markets – that put us where we are now?

Undoubtedly, this crisis will be felt for a long time. Furthermore, both the job losses and the reduction in activity in many countries mean that we will not be returning to cruising speed any time soon.

In Portugal, the crisis was exacerbated by the fact that we were undertaking structural reforms in an effort to converge with the most developed EU countries. The crisis has clearly stopped this convergence process.

Two moments in the crisis stand out. First, the focus on bailouts and second, the current situation in which we will have to resume a policy of budget deficit reduction, cutting sovereign debt in order to retain our grip on what comes afterwards. The crisis has certainly led, in Portugal, to an increase in unemployment and, as shown in this volume, different groups have been affected in different ways. Young people and women have been particularly hard hit, with substantial rises in their unemployment rates between the first and third quarters of 2010.

Although Portugal has been able to sustain economic activity and growth, especially with regard to exports, there is a large group of unemployed people who need to be taken care of. The group is heterogeneous, including the highly educated and the low skilled, young workers starting their careers and employees over 35. A whole range of policy goals is needed to meet the challenge. The priority must be job creation. This requires economic growth. The government’s first concern is therefore to take the necessary steps to achieve this.

At the same time, higher levels of education and training are needed to prepare the workforce not just for the jobs of today but also for the jobs of tomorrow: greening the economy, meeting the demographic challenge,
indeed everything we have been talking about for years, but which has been pushed aside due to the crisis. It is not merely the quantity of jobs that is important, but their quality. This volume proposes a number of concrete ways forward.

Minimum wages are one way of reducing inequalities. In Portugal, despite the crisis, we have been able to raise the minimum wage significantly. This was possible through an agreement signed by the government and the social partners. The minimum wage has proved to be a powerful instrument for tackling one of the main pre-crisis problems, the working poor and a general increase in inequalities in the workplace.

We also need specific policies for target groups. In Portugal, we have put in place a major austerity package, but we have also initiated as many as 50 measures to boost competitiveness and employment, addressing the functioning of the economy, exports, support for companies, the informal economy and urban renewal. This agenda is being discussed, measure by measure, with the social partners, our aim being to achieve consensus, or at least the broadest possible tripartite acceptance of how this agenda can be promoted.

We have started a debate on active labour market policy, which will be fundamental in reducing inequalities. In agreement with the social partners we are developing traineeships, opportunities for young people and, for the first time in Portugal, full social protection for trainees. We have also agreed to create 50,000 new traineeships for young people, with full protection rights for the first time in our country. We have also looked at how best we can support companies to hire those trainees but also to hire the long-term unemployed. We have produced a programme which is not as generous as it would have been in the past, but which is still fairly conducive to the hiring of the long-term unemployed and young people, reducing social contributions and offering employers a lump sum, among other things to transform short-term contracts into open-ended contracts. We think that this is also a very practical way of reducing inequalities and of helping people get back into the labour market.

Thirdly, we have launched a new micro-financing programme for long-term unemployed young people but also for small and micro-enterprises, especially in the export sector. This programme is a novelty because it not only supports people in starting up in business but also provides follow-up support to try to ensure that the mortality rate of bright ideas is not as high as in the past. Finally we will also launch a programme to reskill unemployed university graduates.

To conclude, we should do everything possible to help get people back into the labour market and to support companies in increasing their activity. It might be with regulation – such as the minimum wage – or with
targeted measures, but best of all would be a mixture of the two, and with the close involvement of the social partners. Without their help, we will not be able to identify the challenges or the best ways of moving forward. Understanding where we have come from and where we are heading is probably the most important challenge today.

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